

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

**MINUTES OF THE REGULAR MEETING
OF THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION
HELD AT THEIR OFFICE AT 677 QUEEN STREET, SUITE 300,
ON THURSDAY, JANUARY 8, 2015
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII**

The Board of Directors (Board) of the Hawaii Housing Finance and Development Corporation (HHFDC) met for a regular meeting at 677 Queen Street, on Thursday, January 8, 2015, at 9:00 a.m.

The meeting was called to order at 9:00 a.m. by Chair Leilani Pulmano and those present were as follows:

**CALL TO
ORDER/
ROLL CALL**

Present: Director Leilani Pulmano
Director Edwin Taira, Vice Chair
Director Rona Fukumoto, Secretary
Director Audrey Abe
Director Melvin Kahele
Designee Mary Alice Evans for Director Luis Salaveria
Designee Scott Kami for Director Wesley Machida

Executive Director Craig Hirai

Staff Present: Sandra Ching, Deputy Attorney General
Colette Honda, Deputy Attorney General
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Rick Prahler, Development Branch Chief
Ann Nakagawa, Chief Financial Officer
Stuart Kritzer, Asset Manager
Jocelyn Iwamasa, Housing Finance Specialist
Ken Takahashi, Housing Development Specialist
Beth Malvestiti, Housing Development Specialist
Seiji Ogawa, Housing Development Specialist
Christopher Woodard, Property Management Coordinator
Lorraine Egusa, Budget Analyst
Mavis Masaki, Planner
Lorna Kometani, Housing Sales Coordinator
Krystal-Lee Tabangcura, Procurement Specialist
Kent Miyasaki, Housing Information Specialist
Esa Pablo, Secretary to the Board

Guests: Franco Mola, Coastal Rim Properties, Inc.
Lia Powers, Coastal Rim Properties, Inc.

A quorum was present.

QUORUM

Vice Chair Taira moved, seconded by Designee Kami

That the meeting minutes of December 11, 2014 be approved as circulated.

**II. A.
APPROVAL
OF MINUTES
12/11/14
Regular
Meeting**

The motion was unanimously approved.

The approval of the executive session meeting minutes of December 11, 2014 was deferred to later in the meeting.

**II. B.
APPROVAL
OF MINUTES
12/11/14
Executive
Session**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

Vice Chair Taira moved, seconded by Designee Evans

That the HHFDC Board of Directors approve the following:

- A. A RHTF Project Award Loan of \$10,684,322 to Coastal Rim Properties, Inc. or a limited liability partnership, limited liability company or limited partnership to be formed by them for the benefit of the Kulana Hale at Kapolei project, as approved by the Executive Director, with the terms and conditions as shown in Section III(G) of this For Action, and the issuance of the Letter of Intent subject to the following:
1. Authorization and approval by the governor of the proposed project and the release of RHTF program funds as mandated under Chapter 15-311, Hawaii Administrative Rules.
 2. Execution of documentation satisfactory to the HHFDC outlining the terms and conditions of the Project Award. The documents shall specify the standard terms and conditions as required in order to meet all statutory requirements of the RHTF program and the specific terms and conditions that are applicable to the Applicant's request for Project Award funds.
 3. Completion of all documentation necessary and required to secure the release of RHTF funds.
 4. Certification of the applicant to comply with all applicable statutory and Program requirements, including, but not limited to, Chapters 343, 103D, §103-50 and §104, Hawaii Revised Statutes, as they may relate to the use of State funds.
 5. Total fees paid to the Developer, including, but not limited to, Developer Overhead, Developer Fees, Developer Consultant Fees, and Developer Project Management Fees, for the project shall not exceed \$2,694,952.
 6. Availability of RHTF program funds.
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Finance Manager Darren Ueki presented the For Action, stating that the proposed Kulana Hale (Project) is the first of three phases, consisting of 154 elderly units in Kapolei, Oahu.

Phases I and II will be 11-story residential towers, with Phase III being a commercial retail facility. The target market group for Phase II is to be determined.

Project construction is set to start in December 2015, with Project completion anticipated in August 2017.

Based on a full review and underwriting of the Rental Housing Trust Fund (RHTF) loan terms requested by the Project, staff recommends the following:

1. Loan Amount: \$10,684,322
2. Interest Rate:

**III. A.
DISCUSSION
AND/OR
DECISION
MAKING**
Approve a Rental
Housing Trust Fund
Project Award for the
Kulana Hale at
Kapolei Project
Located in Kapolei,
Oahu, TMK No.:
(1) 9-1-088: 021

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- a) 0.00% Years 1 through 3
 - b) 3.00% Years 4 through Maturity
 - c) 0.00% for the 1st three (3) years recommended as (i) Project operations have not commenced, (ii) eliminates the need to establish and track an interest reserve and (iii) allows time for the Project to stabilize
- 3. Loan Fee: None
 - 4. Term/Maturity: 37 Years
 - 5. Repayment: Years 1 through 3 – No Payments (Annual)

Years 4 through maturity – 75% of Available Cash Flow after payment of expenses, senior debt service, and other recognized expenses.
 - 6. Collateral: Junior Mortgage on Project's fee simple interest. Collateral may include a senior or junior lien on parking for the Project located on a separate parcel created by a subsequent subdivision or CPR of the subject parcel.
 - 7. Other Terms:
 - a) The Project's loan to value ratio (on the RHTF loan and all debt senior to the RHTF loan) shall not exceed 100%.
 - b) No disbursement of Developer's Fee until satisfactory completion of the Project. Disbursement of Developer's Overhead is allowed during construction.
 - c) The RHTF Project Award is subject to the availability of funds.
 - d) 201H approval of the Project's exemption requests.
 - e) Project shall receive financing commitments for the balance of the subject parcel (identified in Sections I and II) that is not covered by the financing structure.

Mr. Ueki opened for questions, along with Mr. Franco Mola, representing the Project.

In response to Vice Chair Taira, Mr. Ueki concurred that the "Project" within the For Action is in reference to Phase I only.

The motion was unanimously approved.

III. B. DISCUSSION AND/OR DECISION MAKING

Approve the Fiscal Year 2015 and Fiscal Year 2016 (Funding Round 1) Application Cycles for the Rental Housing Trust Fund Program

- A. The application cycles for the Fiscal Year 2015 and Fiscal Year 2016 (Funding Round 1) RHTF program as noted in Sections III (A) and III (B) above. All requests will be subject to the availability of funds in the RHTF program;
- B. Authorize staff to begin marketing of the application cycles for the Fiscal Year 2015 and Fiscal Year 2016 (Funding Round 1) RHTF program; and
- C. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

RHTF Uncommitted Tax-Exempt Taxable Funds	\$ 36,399,665
RHTF Uncommitted Taxable Tax Exempt Funds	<u>9,842,505</u>
Total	<u>\$ 46,262,170</u>

The proposed funding rounds for the RHTF program is as follows:

Recommendations for Fiscal Year 2015 Funding Round are anticipated in July 2015, with Fiscal Year 2016 anticipated in November/December 2015.

The RHTF Capacity Building Grant and the Predevelopment Loan programs were indefinitely suspended in June 2003, due to the lack of funding and the desire of the Housing and Community Development Corporation of Hawaii's Board, predecessor to HHFDC, to focus on the actual production of affordable rental units. Reinstatement of the program may be considered in the future.

Mr. Ueki opened for questions.

In response to Designee Evans' follow up question, Mr. Ueki stated that dedicated sources of the RHTF are the 50% of conveyance tax received, lump sum appropriations from the Executive Budget, and repayment of existing loans.

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Designee Evans asked for the estimated amount encumbered under existing loans. Mr. Ueki stated that the amount is approximately \$280 million, and may increase as loans continue to mature.

In response to Designee Evans, Mr. Ueki stated that the average length of RHTF loans are between 40 – 50 years or greater. By the guidance provided by the Board, terms were approved based on full repayment of the principal interest of the loan. By reevaluating a project at years 35 - 40 as opposed to year 50, allows applicants/developers to either recast the loan or elect to refinance the remaining portion of the RHTF loan with a conventional source.

In response to Vice Chair Taira, Mr. Ueki stated that funding programs administered by the HHFDC are typically synced in terms of funding deadlines. Other programs outside of state jurisdiction are harder to coordinate. Delay in the HHFDC's Consolidated Application process this year has been due to the numerous reviews and changes to the LIHTC section within the Qualified Allocation Plan.

In response to Designee Kami, Mr. Ueki stated that the affordability period is not coterminous with the loan term, averaging at 60 years. Furthermore, having longer loan terms does not necessarily result in longer affordability periods, as shown in recent loans with terms set for 36-37 years, with a 60-year affordability period.

In response to Designee Kami, Mr. Ueki stated that the source of the taxable and tax-exempt bonds is General Obligation (GO) proceeds. Future appropriated sources will be coordinated and identified with the Department of Budget and Finance to avoid a repeat of the legislative appropriation in 2000, which ended up being tax-exempt GO bonds instead of taxable bonds.

Discussion ensued on the reasoning for shorter loan terms from 50 to 37 years. Mr. Ueki stated that the shorter loan terms and repayment requirements, as guided by the prior Board, is an ongoing discussion with all applicants/developers with sensitivity to potential impacts pertaining to the tax equity investor and lending partners.

In response to Director Abe, Mr. Ueki stated that all projects are required to set aside a maintenance reserve on an annual basis, which does not always play out. Therefore, a project has the opportunity to utilize programs administered by the HHFDC to recapitalize.

Discussion ensued on whether or not there was another mechanism or administrative rule that would allow a project to receive RHTF monies for emergency activities. (e.g., emergency need for rental housing on the Big Island, for Puna residents to evacuate) Mr. Ueki stated that the RHTF monies are required to be use for specific activities; however, the Governor would have the ability to redirect resources from the Trust Fund for other uses. Chief Planner Janice Takahashi added that during the Lingle Administration, an emergency proclamation was issued, which authorized the Department of Budget and Finance to take monies from the HHFDC's various accounts for other purposes.

The submittal process of the Consolidated Application was discussed. Mr. Ueki clarified that the time in which an application is submitted will determine the qualifying funding round. If an application is turned down in the first funding round, another application would need to be submitted.

Depending on the demand of taxable bonds, Mr. Kami asked if exchanging tax-exempt bonds for taxable bonds should be explored. Mr. Ueki stated that more taxable proceeds would help administratively. Designee Kami stated that he would look into the matter.

Discussion ensued on whether or not a deadline schedule could be referenced

within the NOFA publication. Mr. Ueki stated that NOFA publications are not of common practice for the second round, but is rather sent out through a mass email to interested parties on the remaining funds available. Staff will look at other options available in notifying the public.

In response to Director Kahele, Mr. Ueki stated that the NOFA publication is posted in the newspaper as well as on the HHFDC website.

With no further discussion, the motion was unanimously approved.

Development Branch Chief Rick Prahler presented the For Information, stating that the purpose for this bill is to obligate all qualified rental projects to meet certain minimum lengths of affordability to qualify for construction cost GET exemptions. While projects certified as government sponsored projects must meet that sponsoring program’s period of affordability, other projects may not have such an obligation. By changing the GET rules to include a period of time that the project must remain affordable, the State can then make sure that the income lost to the GET exemption is well spent, resulting in projects that remain affordable over the useable life of the construction improvements exempted.

Vice Chair Taira asked on how one would comply with Section 201H-36, HRS. Executive Director Hirai stated that specifics could not be disclosed in Regular Session.

Vice Chair Taira moved, seconded by Designee Evans

That the Board convene in Executive Session, pursuant to Section 92-5(a)(4), Hawaii Revised Statutes, to consult with the Board’s powers, duties, privileges, immunities, and liabilities, as it relates to General Excise Tax Exemption requirements for rental projects.

The motion was unanimously approved.

The Board convened in Executive Session at 9:40 a.m.

The Board reconvened into Regular Session at 10:00 a.m.

While in Executive Session, the meeting minutes of December 11, 2014 was approved as circulated.

Chair Pulmano proceeded to the Report of the Executive Director.

Executive Director Hirai noted the following:

Staff has been working with the House and Senate Committee Chairs on pending housing legislation.

HHFDC continues to work with the Office of Planning and the City and County of Honolulu on Transit Oriented Development.

There is a pending settlement on a possible eviction of non-compliant tenants and road access issues within Waiahole Valley. A For Information will be presented at a future meeting to inform the Board of various legalities and background history.

Chair Pulmano announced the disbanding of the Financing Policy Subcommittee regarding the QAP and forming a new Financing Policy Subcommittee for the

**III. C.
DISCUSSION
AND/OR
DECISION
MAKING**

Information on a Proposed Amendment to Section 201H-36, Hawaii Revised Statutes, relating to General Excise Tax Exemptions in order to Create Periods of Affordability for Exemptions of Construction costs for New Construction and Substantial or Moderate Rehabilitation

**EXECUTIVE
SESSION
9:40 a.m.**

**RECONVENED
10:00 a.m.**

**II. B.
APPROVAL
OF MINUTES
12/11/14
Executive
Session**

**IV.
REPORT
OF THE
EXECUTIVE
DIRECTOR**

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

purposes of reviewing the various finance program policies for DURF, RHTF, and LIHTC.

Members of the new Financing Policy Subcommittee are Chair Leilani Pulmano, Vice Chair Edwin Taira, and Directors Luis Salaveria and Roderick Becker.

Designees will be able to attend as a non-voting member.

Deputy Attorney General Sandra Ching noted that once the matters of the Subcommittee are investigated or reviewed, the Subcommittee will come back to the full Board to present its findings and recommendations, if any, at the next Board meeting. Only after the Subcommittee reports to the full Board, may any action be taken on those findings and/or recommendations.

With no further discussion, Chair Pulmano asked for a motion to adjourn.

Designee Evans moved, seconded by Vice Chair Taira

That the meeting be adjourned at 10:30 a.m.

The motion was unanimously approved.

V.
ADJOURNMENT
10:30 a.m.



RONA FUKUMOTO
Secretary